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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended November 30, 1991

Commission File Number 33-24483-NY

PROCESSED BY
26-26-92
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HEALTH-PAK, INC.

(Exact name of Registrant as specified in its Charter)

Delaware	11-2914841
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1208 Broad Street, Utica, NY	13501
(Address of principal executive offices)	(Zip Code)

BEST COPY
AVAILABLE

Same	
(Former Address)	(Zip Code)

(315)724-8370

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes_X__ No_____

Indicate the number of Shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date. As of February 10, 1992 there were outstanding 8,354,008 shares of Common Stock, par value $.0001.

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HEALTH-PAC, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET - MAY 31, 1991 AND 1990
AND NOVEMBER 30, 1991 AND 1990

	May 31,		November 30,	
	1991	1990	1991	1990
			(Unaudited)	
ASSETS				
Current assets:				
Cash	$ 24,715	$ 10,050	$11,841	$14,295
Receivables:				
Trade, less allowance for doubtful accounts $2,000 (Note 3)	192,177	188,379	180,560	171,976
Miscellaneous	1,450	1,150	8,280	1,150
Inventory (Notes 3 and 4)	261,488	168,067	346,346	227,767
Deferred offering expense (Note 11)	44,196		91,575	13,786
Prepaid insurance	20,525	3,472	15,134	1,567
Prepaid income taxes	3,000	3,000	3,000	3,000
Prepaid expenses	3,828	1,858	365	
Prepaid directors and consulting fees	3,797		1,797	
Total current assets	554,296	375,976	660,918	433,421
Property and equipment: (Notes 3 and 4)				
Machinery and equipment	180,282	77,016	196,980	107,575
Leasehold improvements	68,559	33,295	69,096	33,665
Automotive equipment	9,763	9,763	9,763	9,763
	266,584	120,054	275,817	170,783
Less accumulated depreciation	47,527	31,711	59,260	39,629
	219,057	88,343	216,557	131,163
	$773,353	$464,319	$877,475	$564,584

	May 31,		November 30,	
	1991	1990	1991	1990
			(Unaudited)	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Current portion of long term debt (Note 6)	$ 4,200		$ 4,284	
Notes payable, bank (Note 5)	140,000	586,000	140,000	$136,000
Accounts payable	281,334	181,750	243,223	218,138
Accrued commissions		27,920		
Accrued wages	10,679	6,550	4,582	2,250
Accrued insurance	10,748		8,295	
Other accrued liabilities	3,365	200	3,644	1,290
Total current liabilities	450,326	301,220	408,854	355,678
Long-term liability:				
Long-term debt, net of current portion (Note 6)	15,050		32,333	
Commitments (Note 7)				
Shareholders' equity:				
Preferred stock, .001 par value 2,000,000 shares authorized				
Common stock, .002 par value, 20,000,000 shares authorized (Note 12)	15,977	5,132	16,787	5,132
Common stock purchase warrants:				
Class A (Note 9)				
Class B (Note 9)				
Class C (Note 15)				
Additional paid in capital	305,758	198,905	436,645	198,905
Retained earnings (deficit)	(21,758)	(40,938)	(17,264)	4,869
	299,977	163,099	436,088	208,906
	$773,353	$464,319	$877,475	$564,584

See notes to financial statements.

HEALTH-PAK, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS (DEFICIT)

YEARS ENDED MAY 31, 1991, 1990 AND 1989

AND

SIX MONTHS ENDED NOVEMBER 31, 1991 AND 1990

	YEARS ENDED			SIX MONTHS ENDED NOVEMBER 30	
	1991	1990	1989	1991 (Unaudited)	1990 (Unaudited)
Net sales	$1,624,660	$1,605,387	$1,484,486	$806,357	$792,044
Cost of sales	1,297,067	1,318,296	1,276,282	631,538	608,317
Gross profit	327,593	287,211	210,204	174,319	183,727
Selling, general and administrative expenses	290,595	316,655	227,590	161,114	126,301
Income (loss) from operations	36,998	(29,444)	(17,386)	13,705	57,426
Other charge, interest expense	19,818	10,821	8,911	9,211	11,617
Net income (loss) before income taxes	19,180	(40,265)	(26,217)	4,494	45,807
Income taxes (Note 8)		2,916	(5,616)		
Net income (loss)	19,180	(43,181)	(20,881)	4,494	45,807
Retained earnings, (deficit), beginning	(40,938)	2,243	23,044	(21,758)	(40,938)
Retained earnings, (deficit), ending	($ 21,758)	($ 40,938)	$ 2,243	($ 17,264)	$ 4,869
Per share amounts:					
Net income (loss)	(.01)	(.02)	.00	.00	.02
Weighted average number of common shares outstanding	2,787,884	2,799,260	2,165,248	2,234,008	2,564,062

See notes to financial statements.

HEALTH-PAK, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

JUNE 1, 1987 TO NOVEMBER 30, 1991

	Common Stock Number of shares	Common Stock $.002 par amount	Capital in excess of par value	Retained earnings (deficit)	Total
Balance June 1, 1987	1,436,668	$ 2,869	$ 33,133	$ 9,012	$ 45,014
Shares issued during the year ended May 31, 1988	663,593	1,327	39,898		41,225
Net income for the year ended May 31, 1988				16,032	16,032
Balance at May 31, 1988	2,090,061	4,196	73,031	25,044	100,271
Shares issued during the year ended May 31, 1989	134,397	269	7,481		7,750
Net (loss) for the year ended May 31, 1989				(29,021)	(29,021)
Balance at May 31, 1989	2,232,458	4,465	80,512	2,243	87,220
Shares issued during the year ended May 31, 1990	333,644	667	118,395		119,062
Net (loss) for the year ended May 31,1990				(53,181)	(53,181)
Balance at May 31, 1990	2,566,082	5,132	198,905	(48,938)	165,099
Shares issued in exchange for consulting services of offering (Note 7)	2,189,995	4,380			4,380
Balance forward	4,756,077	9,512	198,905	(48,938)	167,479
Shares issued of common stock April 30, 1991 (Note 3)	387,648	775	59,225		60,000
Shares issued for services rendered (Note 14)	2,500,000	5,000			5,000
Balance forward	7,643,725	$15,287	$258,130	($48,938)	$232,479

	Common Stock Number of shares	Common Stock $.002 par amount	Capital in excess of par value	Retained earnings (deficit)	Total
Balance forward	7,643,725	$15,287	$258,130	($48,938)	$232,479
Shares issued in exchange for warrants May 22, 1991 (Note 9)	344,991	690	47,628		48,318
Net income for the year ended May 31, 1991				19,180	19,180
Balance at May 31, 1991	7,988,716	15,977	305,758	(21,758)	299,9777
Shares issued in exchange for warrants June 7, 1991 (Note 9) (Unaudited)	125,492	250	11,367		11,617
Shares issued from sale of private placement memorandum June 1, 1991 through November 30, 1991 (Note 13) (Unaudited)	240,000	480	119,520		120,000
Net income for the period ending November 30, 1991 (Unaudited)				4,494	4,494
Balance at November 30, 1991 (Unaudited)	8,354,008	$16,707	$436,645	($17,264)	$436,088

See notes to financial statements.

HEALTH-PAC, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED MAY 31, 1991, 1990 AND 1989
AND
SIX MONTHS ENDED NOVEMBER 30, 1991 AND 1990

	Years ended May 31			Six months ended November 30	
	1991	1990	1989	1991	1990
				(Unaudited)	
Operating activities:					
Net income (loss)	$99,180	($43,181)	($20,601)	$ 6,494	$45,807
Adjustment to reconcile net income to cash provided by operating activities,					
depreciation	15,814	8,886	12,771	11,733	7,909
Changes in operating assets and liabilities:					
(Increase) decrease in accounts receivable	(3,798)	69,567	(62,881)	11,617	16,443
(Increase) decrease in miscellaneous receivables	(500)			(6,830)	
(Increase) decrease in inventory	(93,341)	(59,982)	6,716	(84,958)	(59,660)
(Increase) decrease in prepaid expense	(12,660)	26,956	(38,875)	8,054	3,763
(Increase) decrease in deferred financing costs	(44,796)	13,800	(13,000)	(47,379)	(13,796)
Increase (decrease) in accounts payable	99,566	(95,322)	63,798	(58,111)	36,388
Increase (decrease) in accrued expenses	(1,879)	1,305	20,965	(16,361)	(31,130)
Net cash provided from (used in) operating activities	(21,377)	(79,171)	(23,225)	(157,761)	5,776
Investing activities:					
Use of cash, purchase of property and equipment	($144,536)	($62,711)	($23,963)	($ 9,233)	($50,729)

	Years ended May 31			Six months ended November 30	
	1991	1990	1989	1991	1990
				(Unaudited)	
Financing activities:					
Sources of cash:					
Proceeds from issuance of common stock	$100,510	$119,060	$ 7,750	$131,617	
Increase in notes payable, bank	55,700		52,377		$49,200
Increase in current portion of long-term debt	6,700			5,000	
Increase in long-term debt	16,800			20,000	
Use of cash:					
Payment of long-term debt	(1,750)			(2,518)	
Payments of notes payable		(7,573)			
Net cash provided by financing activities	182,760	111,487	60,127	154,099	49,200
Net increase (decrease) in cash	16,683	(10,680)	12,959	(12,875)	4,265
Cash, beginning	10,051	20,451	7,492	26,716	10,051
Cash, ending	$ 26,716	$ 10,051	$20,451	$13,841	$ 5,806
Supplemental disclosures of cash flow information:					
Cash paid during the year for interest	$18,543	$ 10,821	$11,617	$10,133	$11,617
Income taxes	$ 525	$ 525			
Supplemental schedule of non-cash investing and financing activities:					
Issuance of common stock for directors fees, past services and consulting contracts	$9,300				

See notes to financial statements.

HEALTH-PAK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 1991, 1990 AND 1989
SIX MONTHS ENDED NOVEMBER 30, 1991 AND 1990

1. Organization of the company:

The Company originally "Morgan Windsor Ltd," was incorporated in the state of Delaware on December 28, 1987 as a "blind pool". The only operations of the Company at that time were to structure a public offering of its securities. Thereafter the company began to search for a viable business opportunity.

On May 15, 1989, the Registration Statement containing the Company's original prospectus was declared effective by the Securities Exchange Commission. Pursuant to the original prospectus the Company was offering up to 4,000,000 units, at $.10 per unit, each consisting of one share of common stock, one Class A warrant and one Class B warrant. No securities were sold pursuant to original prospectus.

The Company subsequently amended its public offering to consist of a minimum of 15,000 units to a maximum 50,000 units to be offered at $6.00 per unit. Each unit consists of six shares of common stock (.002 par value) and eighteen Class A redeemable common stock purchase warrants and twelve B redeemable common stock purchase warrants. On September 7, 1990, the Company sold 16,358 units receiving gross proceeds of 98,148. Between October and November of 1989 the Company repurchased an aggregate of 178,583 shares of the Company from nineteen stockholders for an aggregate price paid for these shares. As a result of the above transactions as of April 30, 1991, the date of acquisition of Health-Pak, Inc, the Company had outstanding shares of 387,648 to the public.

On April 30, 1991, the Company acquired 100% of the issued and outstanding capital stock of Health-Pak, Inc. A New York corporation in exchange for 4,996,352 shares of which 4,756,077 shares were exchanged for 97.54% of the outstanding shares of Health-Pak, Inc and 240,275 shares were retained to acquire the remaining outstanding shares of Health-Pak, Inc.

Thereafter, the Company, "Morgan Windsor, Inc." changed its name to "Health-Pak, Inc" and increased its authorizated capitalization to 20,000,000 shares.

2. Nature of business:

Health-Pak, Inc. is a manufacturer and distributor of disposable paper products for use in serviced-related industries, primarily the medical industry.

3. Summary of significant accounting policies:

Principles of consolidation:
The acquisition of the Company's subsidiary on April 22, 1991 has been accounted for an a reverse purchase of the assets and liabilities of the Company by Morgan Windsor Ltd. Accordingly, the consolidated financial statements represent assets, liabilities and operations of Health-Pak, Inc. prior to April 30, 1991 and the combined assets, liabilities, and operations for the ensuing period. The financial statements reflect the purchase of the stock of Morgan Windsor Ltd. by Health-Pak, Inc. for cash, the value being the historical cost of the assets required. All significant intercompany profits and losses from transactions have been eliminated. Pursuant to the purchase the Company's 387,648 shares were issued to the public for $60,000.

Revenue recognition:
The Company maintains its books and records on the accrual basis of accounting, recognizing revenue when goods are shipped and expenses when they are incurred.

Inventories:
Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method (FIFO).

Property and equipment:
Property and equipment are stated at cost. Depreciation of property and equipment is provided using the straight line method over the following useful lives:

	Years
Machinery and equipment	10
Leasehold improvements	19 and 31-1/2
Automotive equipment	5
Office equipment	10

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Per share amounts:
Net earnings per share are computed by dividing net earnings by the weighted average number of shares of common stock outstanding during the period. Fully diluted and primary earnings per common share are the same amounts for the period presented.

4. Inventories:
Inventories consist of:

	May 31 1991	May 31 1990	November 30 1991 (Unaudited)	November 30 1990 (Unaudited)
Raw Materials	$161,044	$101,818	$163,447	$125,239
Finished Goods	100,364	66,249	182,919	102,468
	$261,408	$168,067	$346,366	$227,707

5. The Company has at its disposal a line of credit at Marine Midland Bank. The note is due on demand and carries interest at prime + 1.5%. Inventory and accounts receivable are pledged as security. The note is also secured by the personal guarantees of Anthony Liberatore and Alfred Iennamo to the extent of $50,000 in total.

6. Long-term debt:

		May 31, 1991		November 30, 1991	
	Rate	Current Portion	Long-Term Portion	Current Portion	Long-Term Portion
Note payable, Marine Midland(A)	Prime + 2%	$ 4,200	$ 15,050	$ 4,200	$ 12,950
Note payable, Marine Midland(B)	Prime + 2%			5,000	19,583
		$ 4,200	$ 15,050	$ 9,200	$ 32,533

A) Equipment with a cost of $25,000 is pledged as collateral on a note payable in monthly installments of $350, excluding interest. The note matures in December of 1995.

B) Equipment with a cost of $38,500 is pledged as collateral on a note payable in monthly installments of $417, excluding interest. The note matures in November 1996.

7. Commitments:

The Company conducts is operations from a facility that is leased under a three year operating lease. There is a verbal option to renew the lease for one five year period at the expiration of the initial terms. Under the terms of the lease, the Company may deduct a portion of the electric bills applicable to the space it occupies.

7. Commitments (continued):

The following is a schedule of future minimum rental payments required under the above operating lease as of November 30, 1991:

Year	Amount
1991	$ 36,000
1992	36,000
1993	36,000
1994	36,000
	$144,000

Rent expense charged to operations for the year ended May 31, 1991 and six months ended November 31, 1991 amounted to $32,358 and $19,800, respectively.

The Company also rents office and storage facilities from a major shareholder Anthony Liberatore. Under the terms of the written lease, the Company is obligated for a four year term, expiring in December of 1994.

The following is a schedule of future minimum rental payments required under the above operating lease as of November 30, 1991.

Year	Amount
1991	$ 21,600
1992	21,600
1993	21,600
1994	21,600
	$ 86,400

Rent expense for the year ended May 31, 1991 and six months ended November 30, 1991 amounted to $22,500 and $10,800 respectively.

Consulting contracts:

The Company has entered into consulting contracts with various consultants to assist the Company's management in finding and evaluating potential business projects and opportunities and in the negotiation and implementation of its proposed business and financial plans, in accordance with the goals, aims and restrictions of the Company, as set from time to time by the Company's Board of Directors.

7. Commitments (continued):

Consultant agrees to assist the Company in all such matters as the Company may from time to time request and to act on behalf of the Company and render his report, in writing, to the Board of Directors and to otherwise render to the Board such advise and assistance as may be requested. As part of such services, consultant shall, upon request of the Company, make available such personnel as may reasonably be required to adequately perform such assignments to the satisfaction of the Company.

In addition to the above it is agreed and understood that Consultant, or his duly constituted nominee(s), shall receive shares of the common stock of the Company, which shares shall be deemed to have been issued as a further and additional consulting fee earned by Consultant in connection with the services provided and which shares shall be issued pursuant to the instructions of Consultant.

With respect to the shares which Consultant shall receive hereunder, it is understood and agreed that, upon the request of Consultant, the Company shall:

include such shares in any future registration of securities by the Company for sale to the public (the "Piggy Back Registration Rights"), up to the limits provided by applicable law, rule or regulation of the Securities and Exchange Commission, and subject to the approval of the underwriter, if any, participating in such future registration by the Company; and

upon the written request of at least a majority of said shares, on one occasion only, the Company shall file a registration statement on behalf of the holders of said shares to register such shares for sale to the public (the "Demand Registration Rights"), it being understood and agreed that should the preparation and filing of such registration statement create an undue burden upon the Company, the expenses of such registration shall be paid by the parties requesting such registration rights.

In addition to the fee, Consultant shall be reimbursed for actual out-of-pocket expenses incurred in behalf of the Company, provided that prior approval of the Company has been obtained for any single item for which reimbursement is sought which exceeds the sum of $150.

7. Commitments (continued):

Consultant	Shares Issued	Term of Contract	Fees
Martin I. Saposnick	499,720	36 months	A
Lois Ottembeino	499,722	12 months	B
Karlton Zamost	799,552	36 months	A
Other marketing consultants	391,001	No Term	No Fixed Commitments
	2,189,995		

A. Consultant shall receive a base monthly fee of $1,000 per month during the first twelve (12) months of the terms hereunder and $1,500 during the remaining twenty-four (24) months, for their services under this Agreement. Fees shall be paid monthly by the Company unless a different payment arrangement is agreed to in writing by the parties. It is understood and agreed that the fee shall be reviewed at the end of the term set forth herein and shall be adjusted as agreed to in writing between the parties hereto.

Additionally, should the Company, through the direct efforts of Consultant, enter into any agreement for the purpose of effecting a merger, acquisition or recapitalization, the Company shall pay to Consultant the sum of Five Thousand ($5,000) Dollars an unaccountable expenses plus a fee equal to Two and one-half (2-1/2%) percent of the gross proceeds raised in any and all public or private offerings conducted in connection with or within the three (3) years immediately following such merger, acquisition or recapitalization.

B. Consultant shall receive a fee as shall be mutually agreed to in writing between the parties for each special project she is requested to undertake by the Company. It is understood and agreed that no minimum periodic fee shall be paid to Consultant.

8. Income taxes:

The Company has unused net operating losses of approximately $12,000 which can be used to offset future income. The carryovers expire in 2004.

9. Common stock purchase warrants:

On May 15, 1989, the Company completed its public offering would consist of 50,000 units to be offered at $6.00 per unit. Each unit would consist of six shares of common stock ($.002 par value) and eighteen Class A redeemable common stock purchase warrants and twelve Class B redeemable common stock purchase warrants. Each Class A warrant entitles the holder to purchase one additional share of common stock at $.75 per share unit June 30, 1992. Each Class B warrant entitles the holder to purchase one additional share of common stock at $2.00 per share until March 5, 1992. There are currently outstanding 294,444 Class A and 196,296 Class B redeemable common stock purchase warrants of the Company.

10. Employment contracts:

As of June 1, 1991 the Company entered into an employment agreement with Mr. Anthony Liberatore which is for a period of three (3) years. Pursuant to this Agreement Mr. Liberatore is employed as President and Chief Executive Officer of the Company. The Agreement provides that he will devote his full time to the affairs of the Company. During the term of this Agreement, Mr. Liberatore will receive a salary of $42,000 per year, until December 31, 1991 and of $75,000 thereafter for the remainder of the agreement, together with annual cost of living adjustments of not less than ten (10%) percent per year, and annual bonus compensation equal to ten (10%) percent of the Company's net after-tax profits. Furthermore, this Agreement is subject to annual review by the Board of Directors for the purpose of increasing, but not decreasing, Mr. Liberatore's compensation based upon the performance of the Company and in the Board's sole discretion. The agreement is renewable for consecutive one-year terms unless either party notifies the other at least three (3) months prior to the expiration of the current term of the Agreement that it or he does not intend to renew. Mr. Liberatore is also entitled to the use of a Company car and to three (3) weeks paid vacation each year. Should the Agreement be terminated by the Company for any reason except for cause or the death of Mr. Liberatore, Mr. Liberatore shall be entitled to receive a lump sum termination payment equal to ten (10%) of the Company's prior six (6) months net worth plus the balance due him under the remainder of the then current term of the Agreement.

As of June 1, 1991 the Company entered into an employment agreement with Mr. Michael A. Liberatore which is for a period of three (3) years. Pursuant to this agreement Mr. Liberatore is employed as Vice President-Marketing, Assistant Secretary and Treasurer of the Company. The

10. Employment contracts (continued):

Agreement provides that he will devote his full time to the affairs of the Company. During the term of the Agreement, Mr. Liberatore will receive a salary of $21,000 per year, until December 31, 1991 and $35,000 thereafter for the remainder of the Agreement, together with annual cost of living adjustments of not less than ten (10%) percent per year. Furthermore, the Agreement is subject to annual review by the Board of Directors for the purpose of increasing, but not decreasing, Mr. Liberatore's compensation based upon the performance of the Company and in the Board's sole discretion. This Agreement is renewable for consecutive one-year terms unless either party notifies the other at least three (3) months prior to the expiration of the current term of the Agreement that it or he does not intend to renew. Mr. Liberatore is entitled to two (2) weeks paid vacation each year. Should the Agreement be terminated by the Company for any reason except for cause or the death of Mr. Liberatore, Mr. Liberatore will be entitled to receive a lump sum termination payment equal to the balance due him under the remainder of the then current term of the Agreement.

On September 13, 1991 the Company entered into an employment agreement with Mr. Alfred Zennamo which agreement is retroactive to June 1, 1991 and is for a period of three (3) years. Pursuant to the Agreement Mr. Zennamo is employed as Vice President - Manufacturing of the Company. The Agreement provides that he will devote his full time to the affairs of the Company. During the term of the Agreement, Mr. Zennamo will receive a salary of $28,000 per year, until December 31, 1991 and $35,000 thereafter for the remainder of the Agreement, together with annual cost of living adjustments of not less than ten (10%) percent and not more than fifteen (15%) percent per year. Mr. Zennamo is also entitled to an annual profit participation bonus based upon 2.5% of the Company's net pre-tax profit. Furthermore, the Agreement is subject to annual review by the Board of Directors for the purpose of increasing, but not decreasing, Mr. Zennamo's compensation based upon the performance of the Company and in the Board's sole discretion. This Agreement is renewable for consecutive one-year terms unless either party notifies the other at least three (3) months prior to the expiration of the current term of the Agreement that it or he does not intend to renew. Mr. Zennamo is entitled to three (3) weeks paid vacation each year. Should the Agreement be terminated by the Company for any reason except for cause or the death of Mr. Zennamo, Mr. Zennamo shall be entitled to receive a lump sum termination payment equal to the balance due him under the remainder of the then current term of the Agreement.

The Company has no other employment contracts. Further, it has no retirement, pension or profit sharing plan covering its officers or directors.

11. Deferred offering expense:

The value stated is the amount that has been paid by the Company for expenses incurred for the public offering of warrants, the offering is to take place in 1992. The deferred offering expenses will be deducted from the proceeds of the offering. In the event the offering does not take effect, the deferred offering expenses will be charged to operating expenses.

12. Common stock shares outstanding:

The following shares were issued and outstanding at these respective dates.

May 31, 1991	7,988,716
May 31, 1990	2,566,082
November 30, 1991	8,354,008
November 30, 1990	2,566,082

13. Proceeds from private placement:

In June 1991, the Board of Directors of the Company duly authorized the Company to undertake a private placement of up to 500,000 of the Company's shares at a price of $0.50 per share to accredited investors only, pursuant to the exemption provided in Regulation D of the Securities Act of 1933. Between the period June 1, 1991 and November 30, 1991, the Company issued 240,000 shares for a total price of $120,000.

14. Shares issued for past services, directors fees, etc.:

On May 22, 1991, the Company authorized the issuance of certain additional shares to officers, directors, various employees of the Company for past services rendered to Health-Pak Inc. for which no compensation or reduced compensation had been paid and in part in lieu of any other compensation for their agreement to serve as directors or officers of the Company for the coming fiscal year without separate compensation.

15. Subsequent events:

On May 22, 1991, the Company resolved to authorize the issue of 1,984,680 as a new class of warrants, to be designated Class C redeemable common stock purchase warrants which shall be registered with the Securities and Exchange Commission and that, following completion of such registration process, said Class C warrants shall be distributed to all shareholders of the Company as of June 14, 1991 on the basis of one Class C warrant for every four shares of common stocks owned at such date. Each Class C warrant shall entitle the warrantholders to purchase one share of the Company's common stock at $.25 per share for a period of 90 days following the distribution date of said warrants, $.50 per share for the next 60 days and $1.25 per share for the final 30 days of the exercise period of Class C warrants. The Class C warrants shall be distributed within ten days following the effective date of the Company's registration statement.

16. Notes to unaudited financial information:

The unaudited financial information for the six months ended November 30, 1991 and 1990 has been provided in response to the requirements of Article 10 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operating for the first six months are not necessarily indicative of results to be expected for the full year.

Item 2:

Management's Discussion and Analysis of Financial Condition

I. Comparison of Balance Sheet Items.

At November 30, 1991, the end of the first half of fiscal 1992, the Company had total assets of $877,475, as compared with $564,584 at November 30, 1990, consisting of $660,918 in total current assets and $216,557 in property and equipment (less accumulated depreciation), as compared to $433,421 and $131,163 respectively at November 30, 1990. The increase in total assets at November 30, 1991 as compared to November 30, 1990, was principally due to an increase in inventory, property and equipment and deferred offering expenses. The Company's current assets consisted of $11,841 in cash, $180,560 in trade accounts receivable, $346,366 in inventory, $91,575 in deferred offering expenses and $30,576 in other assets at November 30, 1991 compared to $14,295, $171,916, $227,707, $13,786 and $5,717 respectively for the same period in fiscal 1991.

At November 30, 1991 the Company had total liabilities of $441,387, as compared with $355,678 at November 30, 1990, with retained earnings and total shareholders equity at November 30, 1991 of ($17,264) and $436,088 respectively (compared with $4,869 and $208,906 respectively for the same period in fiscal 1991).

During the first six months of fiscal 1992, the Company had net sales revenues of $806,357, as compared with $792,044 for the same period in fiscal 1991. During this period, cost of sales totaled $631,538 with selling, general and administrative expenses of $161,114 (compared to $608,317 $126,303 respectively during the same period in fiscal 1990). As a result, during the first half of fiscal 1992, the Company experienced gross profits from operations of $174,819 (as compared to $183,727 for the same period in fiscal 1991). After interest expense of $9,211, compared to $11,617 in fiscal 1991, the Company had net income from operations of $4,494, as compared to $45,807 during the same period in fiscal 1991. The principal factors which impacted the Company's operating results during this period were (i) increased cost of goods sold and (ii) higher administrative expenses. During this period, gross sales revenues increased only approximately 2% over the same period last year, while cost of goods sold increased approximately 4% over the same period last year. The higher cost of goods sold is attributed to several factors including the continued emphasis on sales of Company manufactured goods, with a resulting increase in direct labor costs, an increase in the types of products offered by the Company including several higher priced, but more expensive to produce, disposable and limited reusable products. Selling, general and administrative expenses increased approximately 28% during this period, as compared to the same period last year, due primarily to higher administrative costs associated with the Company's present registration of its securities and expenses associated with preparation for introduction of a new line of thermal blankets, which line was introduced following the end if the second quarter of fiscal 1992. Additionally, as was the case during the first quarter of fiscal 1992, the Company continued to experience substantially higher insurance costs and the ongoing expenses of two marketing consultants which were not present during fiscal 1991.

Management continues to de-emphasize the sale of third party products while concentrating upon the sale of Company manufactured products, a situation which has had and, until the Company can fully implement its expansion plans, will continue to have a negative impact upon the Company's overall sales revenues. However, as new Company manufactured products, such as the new line of thermal blankets, are introduced, management believe, although no assurances can be given, that sales revenues will increase and,

over the long term, will result in more stable sales and higher profit margins for the Company. In addition, in January 1992, the Occupational Safety and Health Administration (OSHA) announced new mandatory regulations which significantly expand the requirements for protective apparel in many industries and organizations where there exists a high risk of spreading of infectious diseases such as AIDS and hepatitis. These new regulations, which must be fully implemented by June 6, 1992, are, in management's opinion, expected to substantially broaden the demand and markets for products such as those manufactured by the Company. However, the full impact of these new regulations are not expected to be felt until the last quarter of fiscal 1992 or the first quarter of fiscal 1993. At this point it is too early to make any projections as to the impact upon the Company's sales and profits in the future.

Additionally, during the second quarter of fiscal 1992, the Company concluded an agreement with Fabrite Laminating Corporation to become a designated manufacturer and distributor of limited reusable products manufactured from the "Fabrite 200" fabrics. As discussed in the Company's quarterly report for the first quarter of fiscal 1992, management anticipates that sales of these new products will begin during the third quarter of fiscal 1992. During the second quarter of fiscal 1992, the Company completed initial product manufacture and testing in preparation for introduction of this new product line. Although some minor problems were encountered, these have now been corrected and introduction of this new line is expected during the third quarter of fiscal 1992. However, until evaluation of these new products by end-users is completed, management can make no projections as to market acceptance of this new line or as to the potential revenues which can be expected.

II. Capital Resources and Liquidity.

The principal source of funds for the Company's operations to date has been investment capital and operating revenues, as reflected in the Company's financial statements. The Company has completed a private placement of its common stock wherein it sold 240,000 shares for an aggregate investment of $120,000. Of the funds raised approximately $40,000 was used for the expansion of inventory; approximately $20,000 was used for new equipment and machinery and the balance was used to meet ongoing Company expenses, including costs associated with the Company's pending registration of its securities.

During the current fiscal year, ending May 31, 1992, the Company projects that it will require substantial financing for additional capital expenditures in connection with the planned expansion of its manufacturing operations and implementation of its expansion of existing product lines. Although a portion of these expenses have now been met with respect to the introduction of the Company's new line of thermal blankets and limited reusable products, a final budget for these capital needs has not yet been completed. However, management expects that its most significant needs will be for additional manufacturing equipment, expansion of existing inventories and development of new product lines. Management plans to draw the needed financing from a combination of revenues from operations, conventional financing of equipment either from its lending institutions or directly from the equipment manufacturer and the proceeds from its planned Warrant distribution to existing shareholders. However, as an alternative sources of needed funding, management has begun to investigate an equipment leasing program in order to acquire additional equipment needed to implement its future expansion plans. Although no commitment for such financing has yet been concluded, and no assurances can be given that such a program will prove feasible, management believes that it will be able to acquire at least a portion of the needed equipment in this fashion.

III. Inflation.

Management anticipates that inflation will not have a material effect on the Company's operations in the future. This is principally due to two factors. First, the Company presently has adequate manufacturing equipment and capacity to support not only its present level of operations but, with the addition of a second and, if needed, third, operating shift, to support a substantial increase in production of its present product lines. Further, provided the proceeds of the Company's Warrant distribution are available as anticipated by management, of which there can be no assurance, or that the Company is able to secure alternative financing, the Company's planned expansion of its present manufacturing operations, should be completed during fiscal 1992, during which no significant inflation is presently projected. Secondly, although product pricing would be affected by inflation, management believes that the health and safety concerns would outweigh any negative impact of price increases and not adversely affect the Company's projected sales. Additionally, the hospital and health care markets, where most of the Company's products are sold, have historically been best able to pass on increased costs which are typically paid by insurance coverage.

V. Trends Affecting Company Operations.

A number of factors are expected to impact upon the Company's future operations. Included among these are (i) environmental concerns; (ii) economic factors generally affecting the health care industry; (iii) governmental regulation of the Company's products and (iv) the growing concern in many industries about controlling the spread of infectious disease. Many disposable products offered by the Company are made from plastic-base materials which have raised concern among environmental groups over their proper disposal. Although management believes that such concerns are, in many cases, valid, it is also believed that these concerns must be balanced with safety provided by these products against infectious diseases such as AIDS, hepatitis and others. This belief has recently been reinforced by the new, comprehensive safety regulations issued by the Occupational Safety and Health Administration (OSHA) which requires extensive new measures to combat the spread of infection and disease in many industries which had not previously required such measures. Most importantly, from the point of view of the Company, are the new requirements for protective apparel such as that manufactured by the Company. Management believes, although no assurance can be given, that these new regulations, which must be fully implemented by June 6, 1992, will increase demand for the Company's products and significantly expand the Company's markets. Based upon inquiries received by the Company since January, 1992, management believes that most significant among these new markets for its products will be the emergency service industries, including police, fire and ambulance services, which routinely are exposed to unusually high risk of infectious diseases.

Management believes that perhaps the most significant adverse impact upon its future operations may result from economic pressures to keep health care costs low. Spearheaded by health care insurers, over the past several years the entire health care industry in the United States has come under increasing pressure and scrutiny to cut unnecessary and wasteful costs. To meet the criticism in recent years over the higher cost of disposable products, the Company is preparing to introduce a line of limited reusable products. These products are designed to be washed and roused from between 25 and 200 times before being replaced. Management believes that such products will not only address the economic concerns but also the environmental issues by reducing the amount of products which are being discarded. However, as already mentioned, in situations where there is a

high risk of spreading infection, management believes that the disposable products which are the mainstay of its business will continue to have strong appeal and demand in the marketplace.

Management continues to de-emphasize the sale of third party products while concentrating upon the sale of Company manufactured products, a situation which has had and, until the Company can fully implement its expansion plans, will continue to have a negative impact upon the Company's overall sales revenues. However, as new Company manufactured products, such as the new line of thermal blankets, are introduced, management believe, although no assurances can be given, that sales revenues will increase and, over the long term, will result in more stable sales and higher profit margins for the Company. In addition, as mentioned above, in January 1992, OSHA announced new mandatory regulations which significantly expand the requirements for protective apparel in many industries and organizations where there exists a high risk of spreading of infectious diseases such as AIDS and hepatitis. These new regulations are, in management's opinion, expected to substantially broaden the demand and markets for products such as those manufactured by the Company. However, the full impact of these new regulations are not expected to be felt until the last quarter of fiscal 1992 or the first quarter of fiscal 1993. At this point it is too early to make any projections as to the impact upon the Company's sales and profits in the future.

In short, the above factors may each have a significant impact upon the Company's future operations. At present, management believes that safety concerns over the spread of infectious diseases such as AIDS and hepatitis will, at least for the foreseeable future, outweigh economic and environmental concerns. Consequently, management does not anticipate any adverse impact upon its future operations for the foreseeable future. Apart from these factors, management knows of no trends or demands that would adversely affect the financial condition of the Company.

Part II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

None.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: February 24, 1992

Health-Pak, Inc.

BY Anthony Liberatore, President

Anthony Liberatore, President